
PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 25, 2002

TO: ALL PARTIES OF RECORD IN APPLICATION 01-08-020.

Decision 02-07-041 is being mailed without the Dissent of President Loretta Lynch. The Dissent will be mailed separately.

Very truly yours,

Carl K. Oshiro, Interim,
Chief Administrative Law Judge

CKO:avs

Decision 02-07-041 July 17, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern
California Water Company (U 133 E) for
Authority to Increase Rates for Electric Service in
the Bear Valley Electric Customer Service Area.

Application 01-08-020
(Filed August 17, 2001)

DECISION ADOPTING SETTLEMENT AGREEMENT

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DECISION ADOPTING SETTLEMENT AGREEMENT

Summary

We grant the Joint Motion for Adoption of the Proposed Settlement Agreement (Joint Motion)¹ filed on February 8, 2002 relating to Southern California Water Company's (SCWC) Application (A.) 01-08-020 seeking authorization to increase electric rates in its Bear Valley Electric Customer Service Area (BVECSA). In so doing, we authorize SCWC to increase its total annual revenue collected through its Purchased Power Adjustment Clause (PPAC) by \$6,003,188. This amount represents a 38% increase over the current total annual BVECSA revenues of \$15, 791,610. The adopted rates will increase PPAC annual revenues from \$5,227,693 to \$11,230,881.

The Joint Motion was filed on behalf of the settling parties: SCWC, the Office of Ratepayer Advocates (ORA) and Bear Mountain Inc., (Bear Mountain). In granting the Joint Motion, we find that the Settling Parties are fairly representative of all affected interests in this proceeding, and pursuant to Rule 51 of the Commission's Rules of Practice and Procedure, the Settlement Agreement is "reasonable in light of the whole record, consistent with law, and in the public interest" as required by Rule 51.1(e).²

The Settlement Agreement addresses the stipulation among the Settling Parties to use a weighted average annual cost of \$77.00 per Megawatt-hour (MWh) in the calculation of the Energy Charge component of

¹ See Attachment 1 to this Opinion.

² All references are to the Commission's Rules of Practice and Procedure unless otherwise noted.

PPAC. Based on adopted annual purchases of 117,322 MWh, total energy costs are \$9,033,794 per year. Settling Parties also stipulate to annual scheduling coordination costs of \$77,063, and an annual Power System Delivery Charge cost of \$2,120,024, resulting in total PPAC costs of \$11,230,881 per year. Table A in the Settlement Agreement (p. 8) compares the stipulated revenues to revenues requested by SCWC in its application and revenues at present rates. Table B in the Settlement Agreement (p. 8) allocates the revenue requirement to SCWC customer classes.

In adopting the Joint Motion, we conclude that the Settlement Agreement resolves all of the disputed issues in this proceeding. Furthermore, the Settlement Agreement provides significant benefits to SCWC customers including a cap on purchased power costs, a reduction in the PPAC Balancing Account undercollection, the elimination of a \$600,000 attrition increase for SCWC's water utility customers, a reduction of almost \$630,000 in annual PPAC costs due to a reduction in the Power System Delivery Charge, fixing the rate of the PPAC surcharge, and establishing a rate design that does not increase energy rates for permanent residential customers using 130% or less of baseline allowance.

Background

SCWC requests cost recovery of energy costs through the PPAC for BVECSA. SCWC states that it does not generate any energy, but purchases all of its power through third-party providers. Purchased power costs are recovered through the PPAC. The PPAC has two components, the Energy Charge and the Power System Delivery Charge. PPAC revenues and costs are tracked on a monthly basis in the PPAC balancing account. PPAC balancing account overcollections are refunded to customers, and undercollections are collected

from customers through an amortization surcharge. The surcharge is revised through periodic advice letter filings. SCWC states that over the past 18 months a substantial undercollection accumulated in the PPAC balancing account due to the spiraling costs of wholesale power during the California energy crisis, and as a result of two long-term power purchase contracts.³ SCWC states that the undercollection was \$16.8 million as of June 2001 and was estimated to increase to \$23 million by December 2001. SCWC argues that although the amortization surcharge has been increased through two advice letter filings in 2001,⁴ these increases offset only about \$11.1 million of the current undercollection. Consequently, SCWC applied to the Commission for authorization to increase rates sufficiently to offset both current balancing account undercollections and future energy costs. Future energy costs are expected to result primarily from the Mirant and Pinnacle energy contracts, although SCWC indicates it will continue to make purchases on the energy spot market.

SCWC contends that these energy cost increases have had a profound negative effect on its cash flow and financial condition. SCWC argues that it cannot fund capital improvements and has resorted to diverting cash from its water utility operations to purchase power and fund electric operations in

³ SCWC entered into a five-year contract with Mirant Americas Energy Marketing, LP (Mirant) in March 2001 for 15 MW, for 24-hours, for all days, or 131,400 MWh per year at a cost of \$95 per MWh. SCWC also entered into a three-year winter peaking purchase contract with Pinnacle West Capital Corporation (Pinnacle) in June 2001. The Pinnacle contract is for 8 MW of peaking power priced at \$75 per MWh for 2001-2002, \$48 per MWh for 2002-2003, and \$36 per MWh for 2003-2004. The three year weighted average estimated cost of the Mirant and Pinnacle contracts for 2001-2004 is \$87.41 per MWh.

⁴ See Advice Letter 183-EA approved in Resolution E-3704, May 24, 2001 and Advice Letter 186-E approved in Resolution E-3735, August 23, 2001.

BVECSA. Although SCWC states that such diversions of cash from water utility operations have not impacted public safety and health requirements, SCWC believes these cash diversions will negatively impact water service in the future. SCWC states that without a timely increase in BVECSA rates, its ability to access reasonable funding for capital improvements is unlikely. Furthermore, SCWC believes that as its financial health deteriorates, the cost of capital funding will ultimately increase, impacting water and electric customers with higher costs.

As an interim measure, SCWC filed a motion August 17, 2001 to request approval for an immediate increase in rates subject to refund. SCWC argued that interim rate relief would allow recovery of actual costs of purchasing and securing delivery of power. SCWC also filed a motion requesting that the Commission address its application on an expedited schedule because its PPAC costs are exceeding revenues by approximately \$800,000 per month leading to significant increases in the balancing account undercollection.

SCWC also proposes changes in the revenue requirement allocation to SCWC customer classes, and in its customer rate design. SCWC's rate design proposal is intended: (1) to recover the overall revenue requirement, (2) to maintain the same base rate revenue requirement, (3) to minimize the rate increase impact on permanent residential customers, (4) to begin a transition of commercial customers from a single schedule to three schedules, and (5) to establish rates for interruptible customers that are closer to market-based rates. SCWC also proposes minimum monthly bills for the three primary domestic rate schedules and the smallest commercial schedule. SCWC states that establishing minimum monthly bills is intended to reflect marginal customer costs, and to stabilize revenues because customers reduce usage due to rate increases and its proposed \$20 minimum monthly bill is based on a study prepared in its last

general rate case.⁵ SCWC residential rate design freezes rates for customers using 130% or less of baseline allowance, consistent with Assembly Bill 1X (AB 1X, Stats. 2001, First Ex. Session, Ch. 4). However, SCWC argues that customers using the Domestic Other (DO) schedule are not entitled to a baseline allowance.⁶ SCWC proposes an increase in the System Availability charge for Power Rate customers⁷ to reflect the cost of facilities dedicated to serving these customers. SCWC argues that its proposed rate design more accurately tracks costs and potential reductions in expenses given the increase in PPAC revenues from 46% of total revenues to 66% of total revenues.

On August 30, 2001, Bear Mountain opposed SCWC's motion for an expedited schedule. Bear Mountain argued, among other issues, that an expedited schedule provided insufficient time for parties to review SCWC's revenue requirement and rate design proposals. Bear Mountain also joined in the ORA arguments against interim rate relief and contended that SCWC's proposed rate design was inconsistent with prior rate allocations in Resolutions E-3704 and E-3735.

On September 13, 2001, ORA opposed SCWC's motions, arguing that interim rate relief is not justified since there is no financial emergency as defined

⁵ SCWC states that in A.95-09-016 it proposed a minimum monthly bill of \$24 per month based on marginal customer cost. The marginal customer cost is based on capital investment in new transformers, and a meter and service connection.

⁶ DO schedule customers are not permanent residents but own "second homes" in the BVECSA service territory and do not qualify for a baseline allowance as we concluded in D.89-01-043 (30 CPUC 2nd, p 672). In D.86-02-030, we stated "We cannot find that either the letter or spirit of PU Code Section 739 requires us to grant baseline allowances to second homes." (20 CPUC 2nd, Conclusion of Law No. 1, p. 484.)

⁷ The monthly charge per meter for commercial customers on schedules A-2 and A-3.

in D.86-11-079,⁸ or demonstration that SCWC's credit rating would be downgraded. ORA asserted that the request for interim rate relief is not due either to "undisputedly reasonable" investment-related costs or to permit operation of a major new generating plant.⁹ ORA opposed the expedited schedule proposed by SCWC, contended that hearings were necessary, and provided an alternative schedule recommending submittal of briefs in December 2001.

On October 1, 2001, a prehearing conference was held with assigned Commissioner Geoffrey Brown in attendance. At the prehearing conference both of the SCWC motions were denied, and a tentative schedule set for future hearings including a public participation hearing (PPH) in the city of Big Bear Lake. On October 4, 2001, an Assigned Commissioner's Ruling established a procedural schedule and confirmed that the proceeding was categorized as ratesetting.

⁸ 22CPUC 2nd, at p. 340.

⁹ ORA refers to TURN v. CPUC (1988) 44 Cal.3d 870.

At the PPH in Big Bear Lake on October 17, 2001, 13 customers provided comments on SCWC's proposed rate increase and rate design. Comments generally focused on the amount of the increase, ability of customers to pay high electric rates, effect of electric costs on local businesses and the subsidization of permanent customers by recreational home customers. In addition, approximately 117 customer letters have been sent to the Commission's Public Advisor's office generally commenting on similar issues.

On November 20, SCWC served a report compiled by KPMG, LLP concerning its evaluation of the PPAC for BVECSA as required by Resolution E-3704.¹⁰ This report audits the PPAC from December 1995 through December 2000 and is intended to verify all of the expenses, income, refunds and line losses consistent with Commission approved rates and methodology.

On November 21, the Big Bear Area Regional Wastewater Agency (BBARWA) filed a motion to intervene later granted by ALJ ruling. Following a request by ORA and agreement among parties, a December 12, 2001 ALJ ruling revised the procedural schedule and established evidentiary hearings beginning January 22, 2002.

On December 20, 2001 ORA, Bear Mountain, and BBARWA submitted opening testimony. ORA focuses on the reasonableness of the Mirant and Pinnacle contracts and opposes minimum monthly bills for domestic customers. ORA contends that SCWC did not develop a risk management strategy for power purchases and that less expensive options were available for procuring power prior to the execution of the Mirant and Pinnacle contracts. ORA

¹⁰ Resolution E-3704, p 23, May 24, 2001.

calculates projected power costs of eight comparable utilities and averages costs for six of the eight comparable utilities¹¹ over the period May 2001 through 2004 to derive a recommended purchased power cost of 6.1 cents per kilowatt-hour (kWh). ORA applied this rate to projected average annual customer usage resulting in its recommended annual disallowance of \$3,835,146.

ORA contends that the minimum monthly bills proposed by SCWC are inconsistent with AB 1X since this results in an electric increase for residential customers using less than 130% of baseline allowance. ORA does not oppose charging DO Schedule customers higher rates than other domestic customers, and does not propose any other changes to SCWC's rate design. ORA provides recommendations regarding line loss issues including a plan to upgrade SCWC's transmission line or consider local generation in response to a SCWC line loss study.¹²

Bear Mountain argues that the SCWC annual revenue requirement is excessive and should be reduced by approximately \$3.573 million due to unreasonable procurement practices. Bear Mountain calculates its proposed disallowance through a comparison with purchasing power on a "year ahead" basis. Bear Mountain contends that SCWC's market-based rates for interruptible customers are discriminatory since these apply to a single class of customers who have no other rate options. Bear Mountain proposes that the PPAC revenue requirement be allocated to customers based on seasonal patterns, and either to

¹¹ Plumas-Sierra and Shasta were excluded due to their heavy reliance on Western Area Power Agency energy.

¹² See Resolution E-3704, May 24, 2001.

eliminate the minimum charge for power rate customers or to include the system availability charge when determining a minimum charge.

SCWC submitted its rebuttal testimony on January 11, 2002. SCWC contends that ORA incorrectly compares SCWC and municipal utility energy rates when calculating a recommended PPAC disallowance and that such a comparison is unreasonable because municipal utility energy costs may not include labor, debt and transmission costs. Furthermore, SCWC argues that ORA omitted the energy procurement cost from its calculations,¹³ and that the addition of this cost to the ORA analysis results in reducing ORA's recommended disallowance from \$3,835,146 to \$1,085,366.

SCWC asserts that signing the Mirant contract was a reasonable decision. In support of this position, SCWC cites its energy alternatives, the volatility in the energy market in March 2001, and the high wholesale energy prices that in March 2001 were projected to persist for the next few years. SCWC contends that Bear Mountain's proposals incorrectly develop rate design for the Power Class customers and unreasonably delay energy rate increases by increasing the amortization period for the PPAC by five years.

ORA and SCWC requested using the evidentiary hearing time to attempt to resolve all issues and develop an all-party settlement. ORA and SCWC stated that after discussing the issue of the revenue requirement they would then meet with Bear Mountain and BBARWA to discuss rate design. The assigned ALJ granted this request. On January 23, 2002 parties stated they had reached

¹³ SCWC's energy procurement cost is the Power System Delivery Cost charged by Southern California Edison Company (Edison) to deliver power to the SCWC service territory.

settlement addressing all outstanding issues. A settlement conference was timely noticed and held on February 6, 2002, and the Joint Motion was filed February 8, 2002. On February 13, 2002 BBARWA filed a motion to withdraw from the proceeding.¹⁴

On February 20, 2002, the ALJ convened a hearing on all aspects of the settlement. A panel of five witnesses, representing all of the Settling Parties, answered the ALJ's questions on the Settlement Agreement. Issues addressed by the panel included: (1) the price cap for energy purchases (\$77.00 per MWh), (2) the change in the demand charge component of energy cost, (3) the PPAC balancing account and surcharge rate, (4) rate design policy and effects of the Settlement Agreement on various customer classes, (5) reasons why SCWC included a \$600,000 attrition amount for SCWC water customers in the Settlement Agreement, and (6) how the Settlement Agreement fulfills Rule 51 and why it is in the public interest. During this hearing ORA withdrew its line loss testimony. All prepared testimony was identified and received into evidence.

Description of the Settlement Agreement

The Settlement Agreement provides the following resolution of electric energy cost issues:

1. Weighted average energy is capped at an annual cost of \$77.00 per MWh.
2. Upon approval of the Settlement Agreement, SCWC will credit to the PPAC Balancing Account the cost differential between \$87.41/WWh and \$77.00/MWh times the average

¹⁴ This motion is unopposed. BBARWA does not oppose the settlement. We grant BBARWA's motion and will treat the settlement as an uncontested all-party settlement.

of actual purchases and prorated adopted purchases for the period April 1, 2001 through the end of the calendar month of the date of such Commission decision.

3. For purposes of designing the PPAC rate, annual scheduling coordination costs are fixed at SCWC's calculation of \$77,063.
4. For purposes of designing the PPAC rate, annual Power System Delivery charges will be \$2,120,024.¹⁵
5. The PPAC Balancing Account surcharge shall continue at its fixed rate of \$0.02246/kWh until August 31, 2011 or when the remaining balance in the PPAC balancing account is less than \$100,000, whichever should occur first.
6. SCWC will file an advice letter to initiate review of the PPAC rate when the remaining balance in the PPAC Balancing Account is \$1 million, or by August 31, 2011, whichever should occur first.
7. SCWC will pursue its action against Mirant at the Federal Energy Regulatory Commission (FERC). If this action results in purchased power costs lower than \$77.00 per MWh, then SCWC will file an advice letter within thirty days to adjust the PPAC rate to reflect such a result.
8. SCWC agrees to forego its previously approved step and attrition increase of \$600,000 for its water utility operations in 2002.

Based on these figures, the annual energy revenues are estimated at \$9,110,857 and the annual total PPAC revenues are estimated at \$11,230,881, resulting in an annual increase over present PPAC revenues (\$5,227,693) of

¹⁵ Edison demand charge of \$963,968, plus transmission charge of \$217,839, plus ancillary services costs of \$862,103 plus other capacity-related charges of \$76,114.

\$6,003,188. Total current annual BVECSA revenues are \$15,791,610.¹⁶ Under the Settlement Agreement total BVECSA revenues will be \$21,794,798.

In order to allocate this proposed increase in PPAC revenues, the Settlement Agreement proposes the following rate design changes:

1. No rate increase for permanent-resident domestic customers whose usage level is less than 130% of baseline.
2. A third tier of usage starting at 130% of baseline for all domestic users except customers using Schedule DO.
3. A minimum monthly bill of \$23 per month for all DO schedule customers.

Settling Parties refer us to the full text of the Settlement Agreement for all of its provisions and details. In particular, Settling Parties state that this Settlement Agreement is a complete package, indivisible, and each part is interdependent on each and very other part. Settling Parties further state that they agree to negotiate in good faith any Commission-mandated changes to the Settlement Agreement should the Commission require modifications.

Criteria for Approving All Party Settlements

We approve all-party settlements provided the following criteria are present *in addition* to criteria applicable to all settlements, which we discuss below. All-party settlements must meet the following requirements:

- *The Settlement must command the unanimous sponsorship of all active parties to the proceeding.* Because SCWC, ORA and Bear Mountain are the only parties to this proceeding, this criterion plainly is met.
- *The sponsoring parties must be fairly representative of the affected interests.* The increase in electric rates SCWC

¹⁶ \$5,227,693 (PPAC) and \$10,563,917 (General Revenues).

proposes will affect its customers. ORA represents the interests of those customers and advocates for all customers;¹⁷ while Bear Mountain represents itself as a large electric customer.

- *No term of the settlement may contravene statutory provisions or prior Commission decisions.* Nothing in the Settlement Agreement we approve contravenes statutory provisions or prior Commission decisions, and thus the settlement meets this criterion.
- *The settlement must convey to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.* The Settlement Agreement we approve sufficiently states the amount of the proposed electric revenues, the proposed allocation of revenues to customer classes, adjustments to the PPAC balancing account, and miscellaneous provisions to enable the Commission to fulfill its future regulatory obligations with respect to the parties and their interests.¹⁸

Criteria for Approving Settlements

In addition to meeting the all-party settlement criteria detailed above, the Settlement Agreement must meet the criteria applicable to all settlements. This criteria for approval is identified in Rule 51.1(e). That rule states:

The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

¹⁷ Cal. Pub. Util. Code Section 309.5.

¹⁸ D.92-12-019, 46 CPUC 2d 538, 550-551 (1992).

**The Settlement is Consistent with Law
and Prior Commission Decisions**

The Settling Parties assert that the Settlement Agreement is fully consistent with applicable law. We agree. Nothing in the Settlement Agreement contravenes statute or prior Commission decisions. Our approval of the Settlement Agreement provides that electric rates for SCWC's permanent domestic customers will not increase for usage at or below 130% of baseline. This provision is consistent with the mandates of AB 1X that residential usage below 130% of baseline is exempted from further electrical rate increases. Furthermore, our adoption of the Settlement Agreement will provide a residential rate design consistent with our prior decisions finding that baseline allowances do not apply to second homes.¹⁹

**The Settlement Agreement is Reasonable
in Light of the Record as a Whole**

The Settlement Agreement was reached after opposing parties were able to assess the strengths and weaknesses of their respective cases. If SCWC were to prevail in its arguments, the increase over present revenues would be \$7.853 million per year. By comparison, the Settlement Agreement reduces this increase to \$6.003 million per year, a reduction of approximately \$1.85 million per year. This negotiated reduction is a result of capping the cost of average annual energy purchases at \$77.00 per MWh, or \$10.41 per MWh less than the average annual cost of energy through SCWC's energy purchase contracts (\$87.41 per MWh), and a reduction in the annual Power System Delivery Charge. The Settlement Agreement also provides that the reduction in annual energy

¹⁹ See Footnote 10.

purchase costs from \$87.41 per MWh to \$77.00 per MWh shall be applied to past energy purchases from April 1, 2001 forward. This provision will reduce the under-collection in the balancing account and shorten the time that the balancing account surcharge rate is in effect. Under the Settlement Agreement, the surcharge rate will remain fixed until August 31, 2011 or when the PPAC Balancing Account is reduced to \$100,000, thus minimizing rate increases from this rate component.

SCWC's affirmation in the Settlement Agreement that it will pursue its action against Mirant at the FERC may provide future ratepayer benefits. Although the outcome of this complaint is uncertain, if SCWC is successful and purchased power costs are lowered below \$77.00 per MWh, these lowered purchased power costs will accrue to customers. We direct SCWC to vigorously pursue its action against Mirant and report back to us on the results of this complaint.

The immediate impact of our approval of the Settlement Agreement is to reduce the PPAC Balancing Account and to cap the purchased cost of energy at \$77.00 per MWh. As demonstrated by the testimony of parties and the rebuttal testimony of SCWC, there is a significant contestable discrepancy between ORA, Bear Mountain, and SCWC as to the extent and the reasonableness of purchased energy costs as a result of the Mirant and Pinnacle contracts. We must evaluate the Settlement Agreement in light of the risk, expense, complexity and duration of continuing litigation in deciding whether the Settlement Agreement is reasonable in light of the whole record. While SCWC through its testimony and rebuttal testimony believes that it presented a strong case that its energy purchase contracts are reasonable and prudent, ORA and Bear Mountain believe just as strongly that they have convincing arguments that SCWC was not

prudent in entering into its energy purchase contracts and therefore these costs should be subject to disallowance. After evaluating the testimony, we concur that the settlement is reasonable in light of the record.

The Settlement Agreement is in the Public Interest

As stated previously, the settlement results in significant benefits to SCWC's electric customers. SCWC customers will also realize the benefit of a fixed amortization rate rather than an increase in the amortization rate that would otherwise be required to amortize the substantial undercollection in the PPAC Balancing Account. While this means the amortization rate is in place for a longer period, this will help reduce the severity of rate increases.

We also encourage SCWC to pursue its complaint against Mirant at FERC in order to obtain additional benefits for ratepayers.

The Settlement Agreement also provides that SCWC will not increase its water utility rates in 2002 for the previously authorized step and attrition amount of \$600,000. Although this is an unusual provision for an electric energy settlement, nevertheless it is a benefit for SCWC's water utility customers. SCWC explains that this benefit is a result of its cash conservation program to fund BVECSA operations. Due to the cash conservation program, SCWC is unable to meet certain pro-forma earnings test requirements and is unable to increase rates for SCWC water utilities. Accordingly, Settling Parties agreed to include this benefit in the Settlement Agreement. As explained by ORA this is a benefit that will accrue to water utility customers specifically, but nevertheless is a benefit for another segment of ratepayers represented by ORA.

Finally, the Settlement Agreement is in the public interest because it will avoid a potentially long and expensive litigation of issues pertaining to SCWC's energy purchase contracts, and the resulting rate design litigation necessary to

recover the revenue requirement. Conducting further proceedings, including evidentiary hearings, and filing of briefs would consume valuable resources of the Commission and the parties.

Comments on Proposed Decision

The proposed decision of the Administrative Law Judge was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the Rules of Practice and Procedure. Comments were received on July 2, 2002 from SCWC and on July 10, 2002 from Bear Mountain. Those comments were carefully reviewed and considered. To the extent that such comments required changes to the proposed decision, the changes have been incorporated into the body and attachments of this order.

Findings of Fact

1. All parties have agreed to settle this case.
2. The Settlement Agreement is the product of extensive discussions between the settling parties. SCWC, ORA, and Bear Mountain entered into these discussions after a complete review of the filed testimony and after review of SCWC's filed rebuttal testimony.
3. SCWC, ORA, and Bear Mountain fairly reflect all affected interests in this proceeding. SCWC represents the interests of its shareholders. ORA represents the interests of all SCWC customers. Bear Mountain represents itself as a large energy user.
4. As demonstrated by the testimony and rebuttal testimony of SCWC, there is significant contestable discrepancy between SCWC, ORA and Bear Mountain as to the degree and extent of the reasonableness of SCWC's contracts for purchased energy under the Mirant and Pinnacle contracts.

5. The Settlement Agreement sets a cap of \$77.00 per MWh for the weighted average annual cost in calculating the Energy Charge component of the PPAC rate.

6. The Settlement Agreement provides that the cost differential between the cap cost of \$77.00 per WMh and \$87.41 per MWh will be applied to the average of actual purchases and prorated adopted purchases for the period April 1, 2001 forward to the end of the calendar month of the date of the Commission decision approving the Settlement Agreement. This amount will reduce the undercollection in the PPAC balancing account to the benefit of all customers.

7. The Settlement Agreement provides that the Power System Delivery Charge costs, for rate design purposes will be reduced from \$2,749,780 per year requested in SCWC's application to \$2,120,024 per year thus reducing energy costs by \$ 629,756 per year and reducing annual energy costs for SCWC electric customers.

8. The Settlement Agreement results in a fixed rate for the PPAC Balancing Account surcharge of \$0.02246 per kWh until August 31, 2011 or when the remaining balance in the PPAC is equal to or less than \$100,000.

9. The Settlement Agreement provides that a \$600,000 step and attrition allowance for SCWC previously approved for SCWC's water utility customers will not be included in water rates for 2002 to the benefit of SCWC water utility customers.

10. The Settlement Agreement provides that SCWC will act in good faith to pursue its action against Mirant. If the action results in power costs lower than \$77.00 per MWh then power costs will be reduced accordingly to the benefit of SCWC customers.

11. The Settlement Agreement provides a rate design that does not increase rates for those permanent residential customers using 130% or less of baseline allowance consistent with the mandates of AB 1X.

12. Conducting a further proceeding would unnecessarily consume valuable resources of the Commission, SCWC and other parties and would delay, and possibly prevent, the realization of the benefits identified above pertaining to reductions in PPAC energy rates and the PPAC Balancing Account.

Conclusions of Law

1. The Settlement Agreement fully resolves and settles all disputed issues, among the parties concerning SCWC's application in this proceeding.

2. The Settlement Agreement we approve herein does not contravene the law.

3. Because the Settlement Agreement sufficiently states the amount of the proposed electric revenues, the proposed allocation of revenues to customer classes, adjustments to the PPAC balancing account, and miscellaneous provisions, the Settlement Agreement creates no regulatory uncertainty.

4. Approval of the Settlement Agreement provides that consistent with AB 1X, rates for residential customers using 130% or less of baseline allowance will be exempted from a rate increase.

5. Approval of the Settlement Agreement does not provide baseline allowances for those SCWC customers whose usage is for a second home under Schedule DO, consistent with D.89-01-043, and D.86-02-030.

6. A reduction of \$1.851 million per year in requested PPAC revenues is within the range of outcomes the Commission could have found reasonable based on the record and evidence, had this matter not been settled.

7. The Settlement Agreement is reasonable in light of the strength of each party's litigation position, the risk, expense, and complexity of the litigation, and the settlement amount upon which the parties agreed.

8. The Settlement Agreement is reasonable in light of the whole record, consistent with law, consistent with prior Commission decisions, and in the public interest.

9. As provided in Rule 51.8 of the Commission's Rules of Practice and Procedure, and consistent with the terms of the Settlement Agreement itself, the adoption of the Settlement Agreement is binding on all parties but does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

10. The decision should be effective today so that the settlement may be implemented expeditiously.

O R D E R

IT IS ORDERED that:

1. The February 8, 2002 Joint Motion of Southern California Water Company (SCWC), the Office of Ratepayer Advocates (ORA), and Bear Mountain, Inc. for approval of the Settlement Agreement dated February 8, 2002 is granted and the Settlement Agreement is approved without modification.

2. SCWC shall credit the Purchased Power Adjustment Clause (PPAC) Balancing Account by the differential between \$87.41 per Megawatt-hour(MWh) and \$77.00 per MWh times the average of actual purchases and prorated adopted purchases for the period April 1, 2001 through the end of the calendar month of this decision.

3. The weighted average annual energy cost component of the PPAC shall not exceed \$77.00 per MWh.

4. SCWC shall forgo its previously-authorized attrition allowance of \$600,000 for its water utility customers for 2002.

5. SCWC may extend its existing PPAC Balancing Account surcharge of \$0.02246/kWh until August 31, 2011, or until such time as the remaining balance in the PPAC Balancing Account is less than \$100,000, whichever should occur first.

6. SCWC will file an advice letter to initiate review of the PPAC Rate when the remaining balance in the PPAC Balancing Account is approximately \$1 million or by August 31, 2011, whichever should occur first.

7. SCWC shall vigorously pursue its complaint against Mirant Americas Energy Marketing, L.P. at the Federal Energy Regulatory Commission, and report to the Commission the results of the complaint. If the result of the complaint lowers average annual purchased power costs below \$77.00 per MWh, SCWC shall file an advice letter with this Commission within thirty days reflecting that result.

8. The motion of the Big Bear Area Regional Wastewater Agency, filed, February 13, 2002 to withdraw its testimony, identified as Exhibit 16, from evidence and to withdraw from the proceeding is granted.

9. SCWC shall file an advice letter to modify its Preliminary Statements and tariffs in conformance with the attached Settlement Agreement.

10. This proceeding is closed.

This order is effective today.

Dated July 17, 2002, at San Francisco, California.

HENRY M. DUQUE
CARL W. WOOD
GEOFFREY F. BROWN
MICHAEL R. PEEVEY
Commissioners

I will file a dissent.

/s/ LORETTA M. LYNCH
President

ATTACHMENT 1

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of
Southern California Water Company (U
133 E) for Authority to Increase Rates for
Electric Service in the Bear Valley Electric
Customer Service Area.

Application 01-08-020

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of the date listed below, by and between Southern California Water Company (SCWC), the Office of Ratepayer Advocates (ORA) of the California Public Utilities Commission (Commission), and Bear Mountain, Inc. (Bear Mountain) (collectively, the Parties).

RECITALS

A. On August 17, 2001, SCWC filed Application 01-08-020, seeking authorization to increase rates in its Bear Valley Electric Customer Service Area (CSA) to recover the increased cost of purchased power, and to implement rate design adjustments in connection with the proposed rate increase. Specifically,

SCWC seeks to increase its annual revenues in the Bear Valley Electric CSA by \$7,853,323, by increasing both the Energy Charge and Power System Delivery Charge rate components of its Purchase Power Adjustment Clause (PPAC) Rate. SCWC seeks to increase these rate components, which were set by the Commission at their current level in May 1996 in Decision 96-05-033, from \$0.02437 per kWh to \$0.09228 per kWh on average for the Energy Charge and from \$0.0216 per kWh to \$0.02456 per kWh on average for the Power System Delivery Charge. The total PPAC Rate, which is the sum of the Energy Charge and Power System Delivery Charge components, would increase from \$0.04597 per kWh to an average of \$0.11684 per kWh.

B. ORA and Bear Mountain protested SCWC's Application, and, along with the Big Bear Area Regional Wastewater Agency (BBARWA), comprised the initial active parties intervening in this proceeding. ORA conducted an independent review of SCWC's Application and supporting testimony. Upon conclusion of that review, ORA submitted its December 2001 Report, indicating particular areas of disagreement with SCWC's Application. Similarly, both Bear Mountain and BBARWA reviewed SCWC's Application and testimony and submitted their own testimony in December 2001 indicating areas of particular disagreement with SCWC's Application. A genuine dispute exists among the Parties concerning the issues raised by SCWC's Application,

and ORA, Bear Mountain and BBARWA would be expected to litigate their areas of disagreement with SCWC's Application in the absence of this Settlement Agreement.

C. Subsequent to the exchange of direct and rebuttal testimony, during January and February 2002, the Parties and BBARWA met to discuss the areas of disagreement with SCWC's Application. As a result of such discussions and negotiations, the Parties now wish to compromise and settle their disagreements, and to resolve all issues in the manner set forth in greater detail below. The Parties regard this Settlement Agreement as a package, the resolution of which reflects substantial compromise among the Parties.

D. Following its participation in the all-party settlement negotiations and detailed discussions held during January and February 2002, and with knowledge and understanding of the terms and substance of this Settlement Agreement, BBARWA informed the Parties of its intention to petition the Commission to withdraw from this proceeding, and of its intention not to oppose adoption of this Settlement Agreement by the Commission. Based on the assumption that BBARWA's request to withdraw from the proceeding will be granted, this Settlement Agreement will constitute a settlement as among all the parties to this proceeding.

E. This Settlement Agreement resolves all issues in this proceeding and provides benefits to all customer rate classes. The Parties believe that this Settlement Agreement, together with those materials presented on the formal record in this proceeding, provide the Commission with the basis for finding that the Settlement Agreement is reasonable, fair and in the public interest.

NOW, THEREFORE, in compromise of the disputes and in settlement of this proceeding, the Parties agree as follows:

AGREEMENT

1. This Settlement Agreement resolves and settles all issues, disputes and demands among the Parties concerning SCWC's Application in this proceeding.

2. Annual revenues for the Bear Valley Electric CSA are derived from the PPAC Rate, the Base Rate, and any authorized Balancing Account Amortization surcharges. Presently, based on adopted sales, the revenue collected through the PPAC Rate is \$5,227,693; the revenue collected through the Base Rate is \$8,049,264; and the revenue collected through the Balancing Account Amortization is \$2,514,653, resulting in annual revenues of \$15,791,610. As a result of this Settlement Agreement, based on adopted sales, the annual revenue collected through the PPAC Rate will increase to

\$11,230,881. The annual revenue collected through the Base Rate and the Balancing Account Amortization is unchanged. Therefore, based on adopted sales, the total annual revenue collected as a result of the Settlement will be \$21,794,798, which represents an increase in annual revenues of \$6,003,188, or 38%, over present revenues, and a reduction of 24% from the increase in revenues requested in SCWC's Application.

A. PPAC Costs

3. SCWC's PPAC Rate has two components: the Energy Charge and the Power System Delivery Charge. The Energy Charge component of the PPAC Rate includes energy costs (i.e., purchased power costs) and costs for scheduling coordination. The Power System Delivery Charge component of the PPAC Rate includes costs incurred for transmission service, capacity/demand charges, and ancillary services. For the purpose of designing the PPAC Rate in its Application, SCWC calculated Energy Charge costs of \$10,332,179, resulting in an average PPAC Energy Charge rate of \$0.09228 per kWh. SCWC's calculation of PPAC Energy Charge costs of \$10,332,179 included purchased power costs of \$10,255,116 and scheduling coordination costs of \$77,063. SCWC's calculation of purchased power costs of \$10,255,116 was based on a weighted average annual cost for purchased power of \$87.41

per MWh and the Commission-adopted level of kilowatt-hour purchases (117,322 MWh, per GRC workpapers in Decision 96-05-033).

4. Pursuant to this Settlement Agreement, the Parties agree to use a weighted average annual cost of \$77.00 per MWh in the calculation of the Energy Charge component of the PPAC Rate. Based on the weighted average annual cost of \$77.00 per MWh and the adopted purchases of 117,322 MWh, the revised energy costs for the purposes of designing the PPAC Rate in this proceeding are \$9,033,794. As described in Paragraph 13 below, the Parties agree that the energy costs included in the Energy Charge component of the PPAC Rate will not exceed the unit-cost ceiling of \$77.00 per MWh, based on a weighted average annual cost of purchased power.

5. For the purposes of this Settlement Agreement, the Parties agree to SCWC's calculation of annual scheduling coordination costs of \$77,063. Based on the revised calculation of energy costs described above, SCWC's Energy Charge cost for the purposes of designing the PPAC Rate in this proceeding is \$9,110,857 (\$9,033,794 + \$77,063), which results in an average Energy Charge component in the PPAC rate of \$0.08137 per kWh. This amount is \$1,221,322 less than the \$10,332,179 SCWC requested in its Application.

6. For the purpose of designing the PPAC Rate in its Application, SCWC calculated Power System Delivery Charge costs of \$2,749,780, resulting

in an average PPAC Power System Delivery Charge rate of \$0.02456 per kWh. SCWC's calculation of PPAC Power System Delivery costs of \$2,749,780 included demand charges of \$1,593,724, transmission charges of \$217,839, ancillary services costs of \$862,103 and other capacity-related charges of \$76,114.

7. Pursuant to this Settlement Agreement, the Parties agree to use the current Southern California Edison demand charge of \$963,968 and the remaining Power System Delivery costs set forth in Paragraph 6, above, in the calculation of the Power System Delivery Charge component of the PPAC Rate. Based on the revised calculation of demand charges, the Power System Delivery cost for the purposes of designing the PPAC Rate in this proceeding is \$2,120,024 ($\$963,968 + \$217,839 + \$862,103 + \$76,114$), which results in an average Power System Delivery Charge component in the PPAC Rate of \$0.01893 per kWh. This amount is \$629,756 less than the \$2,749,780 SCWC requested in its Application.

8. Accordingly, pursuant to this Settlement Agreement, the Parties agree that, based on adopted levels of sales and purchases, the annual PPAC Costs are \$11,230,881 ($\$9,110,857 + \$2,120,024$), which results in an average PPAC Rate of \$0.10031 per kWh. This is a reduction of 14% from SCWC's request in its Application.

	Present	Application	Settlement
Energy Charge – costs		\$10,332,179	\$9,110,857
Energy Charge – rate	\$0.02437/kWh	\$0.09228/kWh	\$0.08137/kWh
Power System Delivery Charge – costs		\$2,749,780	\$2,120,024
Power System Delivery Charge – rate	\$0.0216/kWh	\$0.02456/kWh	\$0.01893/kWh
PPAC costs	\$5,227,693	\$13,081,959	\$11,230,881
PPAC Rate	\$0.04597/kWh	\$0.11684/kWh	\$0.10031/kWh
Total BVE revenues	\$15,791,610	\$23,644,933	\$21,794,798
Increase over Present revenues		\$7,853,323	\$6,003,188

B. Rate Design

9. In its Application, SCWC seeks to implement several rate design changes, including no rate increase for permanent-resident domestic customers whose usage level is less than 130% of baseline; a third tier starting at 130% of baseline for Schedules D and D-LI; a minimum monthly charge for Schedules D, DO, D-LI, and A-1; time and tier differentiated PPAC rates; increased rate differentials between on-peak, mid-peak, and off-peak rates for Schedules I-1, I, TOU, TOU-1, as well as increased service charges for these schedules; and the creation of two-tier rate structures for Schedules A-1, A-2, and A-3, as well as increased service charges for Schedules A-2 and A-3.

10. The Parties acknowledge that under current rates, an average monthly bill for a DO customer is less than the cost of providing such DO customer access to basic electric service and does not nearly cover the total cost of service for these customers (i.e., access plus energy charges). Pursuant to this Settlement Agreement, the Parties agree that a minimum monthly bill is appropriate for Schedule DO customers. The Parties believe that the rates that will result for DO customers as a result of this Settlement Agreement are fair and reasonable because such rates are still less than, but more closely approximate, the cost of providing electric service to DO customers.

11. For the purposes of this Settlement Agreement, the Parties agree to the rate design changes as implemented in the attached Tariff sheets. The Parties agree that SCWC shall file the attached Tariff sheet revisions, replacing the Tariff sheets currently in effect in the Bear Valley Electric CSA.

12. Tables A, B, and C, set forth below, reflect the results of the stipulated revenue and rate design elements expressed above.

Table A – Revenue By Tariff Schedule (\$)				
<u>SCHEDULE</u>	<u>REVENUE AT PRESENT RATES</u>	<u>REVENUE AT APPLICATION RATES</u>	<u>REVENUE AT SETTLEMENT RATES</u>	<u>PERCENT INCREASE</u>
D	3,307,166	4,134,303	4,016,867	21.5%
D-LI	423,126	504,742	491,503	16.2%
DM	26,323	26,323	26,331	0%
DMS	83,233	80,699	80,726	-3.0%
DO	3,825,564	6,394,435	6,399,169	67.3%
A-1	6,533,430	2,602,485	2,401,318	
A-2	0	3,905,435	3,599,295	
A-3	0	3,027,704	2,854,557	
TOTAL A	6,533,430	9,535,623	8,855,170	35.5%
SL	102,761	120,110	114,592	11.5%
TOU	0	527,591	0	
I-1	1,490,007	2,321,106	1,809,839	
TOTAL TOU & I-1	1,490,007	2,848,697	1,809,839	21.5%
TOTAL	\$15,791,610	\$23,644,933	\$21,794,197	38.0%

Table B – Revenue By Customer Class (\$)

<u>CLASS</u>	<u>REVENUE AT PRESENT RATES</u>	<u>REVENUE AT APPLICATION RATES</u>	<u>REVENUE AT SETTLEMENT RATES</u>	<u>PERCENT INCREASE</u>
RESIDENTIAL	7,665,412	11,140,502	11,014,596	43.7%
RESIDENTIAL Excl DO	3,839,266	4,745,485	4,615,427	20.2%
COMMERCIAL	6,533,430	9,535,623	8,855,170	35.5%
POWER	1,490,007	2,848,697	1,809,839	21.5%
STREET LIGHTING	102,761	120,110	114,592	11.5%
TOTAL	\$15,791,610	\$23,644,933	\$21,794,197	38.0%

Table C – Typical Customer Monthly Bill Impacts By Tariff Schedule (\$)

<u>SCHEDULE</u>	<u>AVERAGE MONTHLY USAGE</u>	<u>MONTHLY BILL PRESENT RATES</u>	<u>MONTHLY BILL SETTLEMENT RATES</u>	<u>CHANGE</u>	<u>PERCENT INCREASE</u>
D	449	55.18	62.15	6.97	12.6%
D-LI	343	35.53	33.70	-1.83	-5.2%
DM	1,099	115.45	115.49	0.04	0.0%
DMS	9,261	867.05	840.93	-26.12	-3.0%
DO	148	23.62	35.08	11.46	48.5%
A-1	909	145.08	173.32	28.24	19.5%
A-2	6,805	1,038.73	1,292.87	254.13	24.5%
A-3	42,961	6,518.90	9,515.11	2,996.21	46.0%
TOU	240,207	32,651.26	41,613.37	8,962.11	27.4%
I-1	315,594	32,711.08	39,781.86	7,070.78	21.6%

C. PPAC Balancing Account

13. Pursuant to Section G.3 of SCWC’s Preliminary Statement, “[a] Balancing Account shall be maintained to record the difference between the accumulated revenue billed through the Purchase Power Adjustment Clause and the accumulated recorded costs of purchased power.” Pursuant to this Settlement Agreement, the Parties agree that entries to the PPAC Balancing Account for purchased power costs included in the Energy Charge component of the PPAC Rate will be based on average annual recorded costs, to the extent that those costs do not exceed the \$77.00 per MWh unit-cost ceiling on a weighted average annual basis, as described in Paragraph 4, above. The weighted average annual recorded costs shall be calculated based upon actual

annual purchases (i.e., contract and spot purchases and resale transactions). If SCWC's recorded annual cost of purchased power exceeds \$77.00 per MWh on a weighted average annual basis, SCWC will not record the excess above the \$77.00 per MWh ceiling in the PPAC Balancing Account. In order to comply with this provision of the Settlement Agreement, SCWC will calculate its weighted average annual recorded costs on a twelve-month basis, beginning on the first day of the month following the effective date of the Commission decision adopting this Settlement Agreement and every twelve months thereafter. All other components of the PPAC Balancing Account, including the costs of transmission and delivery, capacity, demand, scheduling coordination and ancillary services, are not subject to nor included in the calculation of the \$77.00 per MWh unit-cost cap. The Parties agree that SCWC shall file the attached revision to its Preliminary Statements, replacing the Preliminary Statements currently in effect in the Bear Valley Electric CSA. This \$77.00 per MWh unit-cost cap will expire upon Commission approval of the revised PPAC Rate pursuant to the advice letter filing required under Paragraph 16, below.

14. The Parties agree that upon Commission approval of this Settlement Agreement, SCWC will credit to the PPAC Balancing Account the cost differential between \$87.41/MWh and \$77.00/MWh, times the average of

actual purchases and prorated adopted purchases (117,322 MWh, per GRC workpapers in D.96-05-033) for the period April 1, 2001 through the end of the calendar month of the date of such Commission decision. The effect of this crediting to the PPAC Balancing Account will be to reduce the existing undercollection in the PPAC Balancing Account to the benefit of all customer classes.

15. The Parties agree that SCWC may extend its existing PPAC Balancing Account surcharge of \$0.02246/kWh until August 31, 2011, or until such time as the remaining balance in the PPAC Balancing Account is less than \$100,000, whichever should occur first.

16. The Parties agree that SCWC will file an advice letter to initiate review of the PPAC Rate when the remaining balance in the PPAC Balancing Account is approximately \$1 million or by August 31, 2011, whichever should occur first.

17. SCWC acknowledges that ORA may audit SCWC's PPAC Balancing Account upon request. Nothing in this Settlement Agreement addresses or limits the rights of any Party to contest the reasonableness of any future power purchase agreements or power procurement activities not in place at the time of this Settlement Agreement.

D. Miscellaneous Provisions

18. SCWC has filed a complaint against Mirant Americas Energy Marketing LP (Mirant) at the Federal Energy Regulatory Commission (FERC). SCWC will act in good faith in pursuing its action against Mirant. The Parties agree that if SCWC obtains a result in its action against Mirant such that SCWC's purchased power costs are lowered below \$77.00 per MWh, SCWC will file an advice letter with the Commission within thirty days of such FERC result becoming final, to adjust the PPAC Rate to reflect such result.

19. The Parties acknowledge that as a result of SCWC's cash conservation program, SCWC has reduced previously authorized step and attrition increases for its water utility operations by \$600,000 in 2002. Pursuant to this Settlement Agreement, SCWC agrees to forgo pursuing recovery of that amount.

20. Entering into this Settlement Agreement or approval of this Settlement Agreement by the Commission shall not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

21. The Commission shall have jurisdiction over this Settlement Agreement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual

signatory representing the interests of any of the Parties, attorneys representing the Parties, or the Parties themselves, involving any matter related to this Settlement Agreement.

22. The Parties agree to use their best efforts to propose, support and advocate adoption of this Settlement Agreement by the Commission. No Party to this Settlement Agreement will contest any aspect of this Settlement Agreement in any proceeding or in any other forum, by contact or communication, whether written or oral (including any ex parte communications) or in any other manner before this Commission; provided, however, that if a Party withdraws from the Settlement Agreement pursuant to Paragraph 24, below, that Party is released from all commitments and obligations under this Settlement Agreement and will be free to request a hearing on all issues. The Parties understand and acknowledge that time is of the essence in obtaining the Commission's approval of this Settlement Agreement and that each will extend its best efforts to promote the adoption of this Settlement Agreement.

23. The Parties agree jointly by executing and submitting this Settlement Agreement that the Settlement Agreement is just, fair and reasonable, and in the public interest. The Parties acknowledge the value of including all active participants in this case and settlement process. The Parties

acknowledge the contribution of SCWC, ORA and all intervenors in the discovery and settlement negotiations, and that each Party presented substantiation of its positions and performed in an informed and professional manner.

24. The Parties acknowledge that the positions expressed in this Settlement Agreement were reached after consideration of all positions advanced in testimony as well as during settlement negotiations. This Settlement Agreement embodies compromises of the Parties' positions. No individual term of this Settlement Agreement is assented to by any Party except in consideration of the Parties' assents to all other terms. Thus, the Settlement Agreement is a complete package, indivisible, and each part is interdependent on each and every other part. This Settlement Agreement sets forth the entire understanding and agreement as between the Parties, and this Settlement Agreement may not be modified or terminated except through written assent by all Parties. The Parties agree to negotiate in good faith with regard to any Commission-mandated changes to the Settlement Agreement in order to restore the balance of benefits and burdens and, therefore, should the Commission require modification, may only withdraw from the Settlement Agreement if such subsequent negotiations are unsuccessful.

25. This Settlement Agreement supersedes all prior agreements, negotiations, and understandings among the Parties as to matters at issue in this proceeding. The Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

26. Each individual executing this Settlement Agreement on behalf of any entity hereby warrants that he or she is authorized to execute this Settlement Agreement on behalf of said entity.

27. This Settlement Agreement shall be construed and interpreted in accordance with the laws of the State of California.

Dated: February 8, 2002

Southern California Water Company

By /s/ Patricia A. Schmiede
Patricia A. Schmiede
O'Melveny & Myers LLP
Attorneys for Applicant
Southern California Water Company

Office of Ratepayer Advocates

By /s/ J. Michael Chamberlain
J. Michael Chamberlain
Staff Counsel
Attorneys for the Office of
Ratepayer Advocates

Bear Mountain, Inc.

By /s/ Brian J. Pope
Brian J. Pope
Vice President
Booth Creek Ski Holdings, Inc.

ATTACHMENT 2

PRELIMINARY STATEMENTS

(Continued)

G. PURCHASED POWER ADJUSTMENT CLAUSE

1. The purpose of the Purchased Power Adjustment Clause is to reflect in rates the utility's cost of purchased power.
2. The monthly charges for service otherwise applicable under each of the utility's rate schedule shall include an adjustment to reflect a) the Power System Delivery Charge, b) the Energy Charge for Purchases and c) the Amortization Charge.
 - a. The Power System Delivery Charge shall include the most recently adopted estimate of costs to the utility for Transmission Service, the most recently adopted estimate of costs to the utility for Capacity, and the most Recently adopted estimate of costs for Ancillary Services, which include the Costs for system protection services, line losses and energy imbalance Services. These charges shall be expressed in terms of cents per kilowatthour or dollars per kilowatt, depending upon the nature of the charge and the applicable rate schedule.
 - b. The Energy Charge for Purchases shall include the most recently adopted estimate of the costs to the utility of purchasing energy, expressed in terms of cents per kilowatthour.
 - c. The Amortization Charge shall reflect the most recently adopted over or under collection in the Balancing Account, expressed in terms of cents per kilowatthour.
3. A Balancing Account shall be maintained to record the difference between the accumulated revenue billed through the Purchased Power Adjustment Clause and the accumulated accrued costs of purchased power. Monthly entries to the Balancing Account will be determined from the following calculations:
 - a. Purchased Power Adjustment Clause revenue billed during the month;
 - b. Less than adjustment of 1.429 percent to reflect the adopted rate for franchise fees and uncollectibles;
 - c. Less the accrued costs for purchasing energy, capacity, transmission service and related ancillary services;
 - d. Plus any refunds for purchased power costs previously reflected in the balancing account;
 - e. Plus or minus interest expense, depending upon whether there is an under-collection or over-collection. Such interest shall be calculated based upon the average of the beginning and ending monthly balance in the Balancing Account multiplying by the 90-day commercial paper rate for the month.
 - f. Less an adjustment, if any, for the direct payment of refunds to customers.
 - g. The accumulated accrual cost of purchased power shall be true-up on a monthly basis.

If the above calculation produces a positive amount (over-collection), such amount shall be credited to the Balancing Account. If the calculation produces a negative amount (under-collection), such amount shall be debited to the Balancing Account.
4. The utility may make periodic Advice finings to revise the Amortization Charge to reflect the most current status of the Balancing Account.
5. Not more often than once per year, the utility may file an Application to revise the components of the Purchase Power Adjustment Clause to reflect the most current estimates⁷⁵ of its purchased power costs.
6. The utility shall, on an annual basis, make an adjustment to the Balancing Account to reflect the annual weighted average purchased power cost ceiling of \$77 per MWH. Appropriate adjustments to the interest component shall also be made. This paragraph shall remain in effect through August 31, 2011 or as authorized by the Commission.

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(Continued)

Schedule No. A-1

GENERAL SERVICE

Less than 20kW

APPLICABILITY

Applicable to all general power service including lighting and power, also for heating service whose maximum load is less than 20 kW as estimated by SCWC or as metered. Demand cannot exceed 20 kW in any 12-month consecutive period.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	Per Meter Per Month
System Availability Charge, Per Meter, Per Month:	\$ 5.00
Metering, Per Meter, Per Month:	\$ 2.30

	First 1,500 kWh	Excess
Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh	\$0.02246	\$0.02246

*Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. A-2

GENERAL SERVICE
20 to 50 kW

APPLICABILITY

Applicable to all general power service including lighting and power, also for heating service whose maximum load is between 20 and 50 kW as estimated by SCWC or as metered.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Per Meter
Per Month

System Availability Charge, Per Meter, Per Month: \$47.70
Metering, Per Meter, Per Month: \$2.30

	First 7,500 kWh	Excess
Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh		\$0.02246
		\$0.02246

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. A-3

GENERAL SERVICE
Greater than 50 kW

APPLICABILITY

Applicable to all general power service including lighting and power, also for heating service where load is in excess of 50 kW.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Per Meter
Per Month

System Availability Charge, Per Meter, Per Month: \$497.70
 Metering, Per Meter, Per Month: \$2.30

First 20,000 kWh Excess

Local Transmission and Distribution Charge, per kWh:	\$0.07580	\$0.07580
Transmission Service, per kWh:	\$0.00200	\$0.00200
Capacity Service, per kWh:	\$0.00850	\$0.00850
Ancillary Services per kWh:	<u>\$0.00770*</u>	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.06480*	\$0.11570*
CARE and Public Good, per kWh:	\$0.00038	\$0.00038
Research and Development, per kWh:	\$0.00050	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050	\$0.00050
Amortization, per kWh	\$0.02246	\$0.02246

* Component available for direct access purchases.

Advice Letter No. _____
 Decision No. _____

Issued by
 F.E. WICKS
 President

Date Filed _____
 Effective Date _____
 Resolution No. _____

Schedule No. D

DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable only to permanent residents of Bear Valley for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to permanent domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:	\$ 5.00		
Metering, Per Meter, Per Month:	\$ 1.40		
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* Component available for direct access purchases.

Schedule No. D-LI

CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
DOMESTIC SERVICE - SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable only to permanent residents of Bear Valley for domestic single-phase service to low-income households, including lighting, heating, cooking and power or combination thereof in a single-family accommodation where the customer meets all the Special Conditions of this rate schedule; also to permanent domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

				<u>Per Meter</u>
				<u>Per Month</u>
Service Availability Charge, Per Meter, Per Month:				\$ 4.00
Metering, Per Meter, Per Month:				\$ 1.05
	130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.02570	\$ 0.02570	\$ 0.01180	
Power System Delivery Charges (PSDC) per kWh				
Transmission Service, per kWh:	\$ 0.00160	\$ 0.00160	\$ 0.00160	
Capacity Service, per kWh:	\$ 0.00680	\$ 0.00680	\$ 0.00680	
Ancillary Services, per kWh:	\$ <u>0.00616*</u>	\$ <u>0.00616*</u>	\$ <u>0.00616*</u>	
Total PSDC Components, per kWh	\$ 0.01456	\$ 0.01456	\$ 0.01456	
Energy Charges for Purchases, per kWh:	\$ 0.02008*	\$ 0.03896*	\$ 0.10960*	
CARE and Public Good, per kWh:				
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050	
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050	
Amortization, per kWh	\$ 0.01797	\$ 0.01797	\$ 0.01797	

* Component will be available for direct access purchases.

Schedule No. DM

DOMESTIC SERVICE – MULTI-FAMILY ACCOMMODATION

APPLICABILITY

Applicable to domestic service, including lighting, heating, cooking and power or combination thereof in a multi-family accommodation on a single premise where all single-family accommodations are not separately metered. This schedule is closed to new installations.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:	\$ 5.00		
Metering, Per Meter, Per Month:	\$ 1.40		
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* ~~Component available for direct access purchases.~~

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
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Schedule No. DO

DOMESTIC SERVICE - OTHER

APPLICABILITY

Applicable to nonpermanent residents for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>
Service Availability Charge, Per Meter, Per Month:	\$5.00
Metering, Per Meter, Per Month:	\$1.40
Local Transmission and Distribution Charge, per kWh:	\$0.03285
Power System Delivery Charges (PSDC) per kWh	
Transmission Service, per kWh:	\$0.00200
Capacity Service, per kWh:	\$0.00850
Ancillary Services, per kWh:	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.11890*
CARE and Public Good, per kWh:	\$0.00038
Research and Development, per kWh:	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050
Amortization, per kWh:	\$0.02246
Minimum Charge: Per Meter, Per Month	\$23.00

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
Resolution No. _____

Schedule No. DMS

DOMESTIC SERVICE – MULTI-FAMILY ACCOMMODATION - SUBMETERED

APPLICABILITY

Applicable to domestic service, including lighting, heating, cooking and power or combination thereof in a multi-family accommodation on a single premise where all single-family accommodations are separately metered. This schedule is closed to new installations.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>		
Service Availability Charge, Per Meter, Per Month:	\$ 5.00		
Metering, Per Meter, Per Month:	\$ 1.40		
Discount (Per Dwelling Unit, Per Month)	(\$1.35)		
130%	<u>Baseline</u>	<u>Baseline</u>	<u>Excess</u>
Local Transmission and Distribution Charge, per kWh:	\$ 0.03212	\$ 0.03212	\$ 0.01480
Power System Delivery Charges (PSDC) per kWh			
Transmission Services, per kWh:	\$ 0.00200	\$ 0.00200	\$ 0.00200
Capacity Service, per kWh:	\$ 0.00850	\$ 0.00850	\$ 0.00850
Ancillary Services, per kWh:	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*
Total PSDC Components, per kWh	\$ 0.01820	\$ 0.01820	\$ 0.01820
Energy Charges for Purchases, per kWh:	\$ 0.02510*	\$ 0.04870*	\$ 0.13700*
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Technologies, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Amortization, per kWh	\$ 0.02246	\$ 0.02246	\$ 0.02246

* Component available for direct access purchases.

Schedule No. I
INTERRUPTIBLE SERVICE

APPLICABILITY

Service under this schedule is provided for seasonal usage under contract at the mutual option of the utility and the customer, and is applicable to all time-of-use service, in combination with service under Schedule TOU-1. This rate is applicable to seasonal usage for snow-making equipment, ski lifts and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$4.30
Mid-Peak & Off-Peak: Per kW of Billing Demand..... No Charge

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW	\$ 0.545	\$ 0.000	\$ 0.000
Capacity Service per kW	\$ 4.055	\$ 0.000	\$ 0.000
Ancillary Services, per kWh	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*

Energy Charges for Purchases, per kWh:	\$ 0.07929*	\$ 0.06229*	\$ 0.04129*
Amortization, per kWh:	\$ 0.02246	\$ 0.02246	\$ 0.02246
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Tech., per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
System Availability Charge:	\$ 1950.00		
Metering, Per Meter, Per Month:	\$ 50.00		

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* Component available for direct access purchases.

Schedule No. I-1

INTERRUPTIBLE SERVICE

APPLICABILITY

Service under this schedule is provided for seasonal usage under contract at the mutual option of the utility and the customer, and is applicable to all time-of-use service, in combination with service under Schedule TOU-1. This rate is applicable to seasonal usage for snow-making equipment, ski lifts and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$4.30
Mid-Peak & Off-Peak: Per kW of Billing Demand..... No Charge

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW	\$ 0.545	\$ 0.000	\$ 0.000
Capacity Service per kW	\$ 4.055	\$ 0.000	\$ 0.000
Ancillary Services, per kWh	\$ 0.00770*	\$ 0.00770*	\$ 0.00770*

Energy Charges for Purchases, per kWh: \$ 0.07929* \$ 0.06229*
\$ 0.04129*

Amortization, per kWh:	\$ 0.02246	\$ 0.02246	\$ 0.02246
CARE and Public Good, per kWh:	\$ 0.00038	\$ 0.00038	\$ 0.00038
Research and Development, per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050
Renewable Resource Tech., per kWh:	\$ 0.00050	\$ 0.00050	\$ 0.00050

System Availability Charge: \$ 1950.00

Metering, Per Meter, Per Month: \$ 50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* ~~Component available for direct access purchases.~~

Advice Letter No. _____	Issued by _____	Date Filed _____
Decision No. _____	F.E. WICKS	Effective Date _____
	President	Resolution No. _____

Schedule No. DO

DOMESTIC SERVICE - OTHER

APPLICABILITY

Applicable to nonpermanent residents for domestic single-phase service, including lighting, heating, cooking and power or combination thereof in a single-family accommodation; also to domestic single-phase farm service when supplied through the farm operator's domestic meter.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

	<u>Per Meter Per Month</u>
Service Availability Charge, Per Meter, Per Month:	\$5.00
Metering, Per Meter, Per Month:	\$1.40
Local Transmission and Distribution Charge, per kWh:	\$0.03285
Power System Delivery Charges (PSDC) per kWh	
Transmission Service, per kWh:	\$0.00200
Capacity Service, per kWh:	\$0.00850
Ancillary Services, per kWh:	<u>\$0.00770*</u>
Total PSDC Components, per kWh	\$0.01820
Energy Charges for Purchases, per kWh:	\$0.11890*
CARE and Public Good, per kWh:	\$0.00038
Research and Development, per kWh:	\$0.00050
Renewable Resource Technologies, per kWh:	\$0.00050
Amortization, per kWh:	\$0.02246
Minimum Charge: Per Meter, Per Month	\$23.00
* Component available for direct access purchases.	

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Issued by
F.E. WICKS
President

Date Filed _____
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Schedule No. SL

STREET LIGHTING SERVICE

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APPLICABILITY

Applicable to municipal or public street, highway and outdoor lighting service supplied from overhead lines where the utility owns and maintains the entire equipment.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

All Night Service

Per Lamp Per Month

System and Lamp Rating in watts, mean Lumens and average kWh consumption per month	<u>Monthly* Energy Cost</u>	<u>Street lighting Facilities Cost</u>	<u>Total Cost Per Month</u>
<u>Incandescent Lamps:</u>			
150 Watt, 2,310 Lumens, 50 kWh	\$4.72	\$ 14.48	\$19.20
<u>Mercury Vapor Lamps:</u>			
175 Watt, 6,600 Lumens, 58 kWh	\$5.47	\$17.09	\$22.56
400 Watt, 18,200 Lumens, 133 kWh	\$12.54	\$30.66	\$43.20
<u>High Pressure Sodium:</u>			
100 Watt, 8,550 Lumens, 33 kWh	\$3.11	\$ 13.20	\$16.31

* Components available for direct access purchases.

Monthly PPAC Energy Cost based on \$0.08660 per kWh plus ancillary services of \$0.00770 per kWh.

Advice Letter No. _____
 Decision No. _____

Issued by
 F.E. WICKS
 President

Date Filed _____
 Effective Date _____
 Resolution No. _____

Schedule No. TOU-1

TIME-OF-USE SERVICE

APPLICABILITY

Applicable to non-domestic seasonal usage customers whose monthly demand in any time period is expected to be 500 kilowatts or greater, in any three of twelve consecutive months, and to customers whose demand is expected to exceed 500 kilowatts. This rate is applicable to seasonal usage for snow-making equipment, ski lifts, and water pumping used for snow making.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand..... \$12.38
Maximum: Per kW of Billing Demand..... \$ 4.30

Local Transmission/Distribution Charge: On-Peak Mid-Peak Off-Peak
(per kWh) \$ 0.00928 \$ 0.00928 \$ 0.00928

Power System Delivery Charge:

Transmission Service per kW \$ 0.545 \$ 0.000 \$ 0.000
Capacity Service per kW \$ 4.055 \$ 0.000 \$ 0.000
Ancillary Service, per kWh \$ 0.0077* \$ 0.0077* \$0.0077*

Energy Charges for Purchases, per kWh:\$ 0.07929*\$ 0.06229*\$ 0.04129*

Amortization, per kWh: \$ 0.02246 \$ 0.02246 \$ 0.02246

CARE and Public Good, per kWh: \$ 0.00038 \$ 0.00038 \$ 0.00038

Research and Development, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050

Renewable Resource Tech., per kWh:\$ 0.00050\$ 0.00050 \$ 0.00050

System Availability Charge: \$1950.00

Metering, Per Meter, Per Month: \$50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* Component available for direct access purchases.

Advice Letter No. _____
Decision No. _____

Issued by
F.E. WICKS
President

Date Filed _____
Effective Date _____
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Schedule No. TOU

TIME-OF-USE SERVICE

APPLICABILITY

Applicable to non-domestic customers whose monthly demand in any time period is expected to be 500 kilowatts or greater, in any three of twelve consecutive months, and to customers whose demand is expected to exceed 500 kilowatts.

TERRITORY

Big Bear Lake and vicinity, San Bernardino County.

RATES

Demand Charge:

On-Peak: Per kW of Billing Demand.....	\$12.38
Maximum: Per kW of Billing Demand.....	\$ 4.30

Local Transmission/Distribution Charge:	<u>On-Peak</u>	<u>Mid-Peak</u>	<u>Off-Peak</u>
(per kWh)	\$0.00928	\$0.00928	\$0.00928

Power System Delivery Charge:

Transmission Service per kW	\$0.545	\$0.000	\$0.000
Capacity Service per kW	\$4.055	\$0.000	\$0.000
Ancillary Service, per kWh	\$0.0077*	\$0.0077*	\$0.0077*

Energy Charges for Purchases, per kWh: \$ 0.07929* \$ 0.06229* \$ 0.04129*

Amortization, per kWh: \$ 0.02246 \$ 0.02246 \$ 0.02246

CARE and Public Good, per kWh: \$ 0.00038 \$ 0.00038 \$ 0.00038

Research and Development, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050

Renewable Resource Techn, per kWh: \$ 0.00050 \$ 0.00050 \$ 0.00050

System Availability Charge: \$1950.00

Metering, Per Meter, Per Month: \$50.00

Minimum Charge:

Per kW of Contract Maximum Demand \$ 0.75

* Component available for direct access purchases.

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